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UNITED STATES BANKRUPTCY COURT  
SOUTHER DISTRICT OF NEW YORK

IN Re:	)	Chapter 11
CELSIUS NETWORK, LLC., et al., <sup>1</sup>	)	Case No. 22-10964 (MG)
Debtors	)	(Jointly Administered)

**OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
FOR NOT CONSIDERING STABLECOIN HOLDERS AS SECURED CREDITORS**

The argument under Motion 1185, was that since the security interests were not perfected, Stablecoin Creditors do not hold liens to the debtor estate, hence they are not eligible to be Secure Creditor in the motion filed under 1185. The motion filed by Committee of Unsecured Creditors, however omitted other ways of perfecting the security interests/liens.

The perfection of the lien in Uniform Commercial Code consists of

1. by filing a financing statement with the appropriate public office
2. by possessing the collateral
3. by "controlling" the collateral
4. it's done automatically upon attachment of the security interest.

The perfection approach in 3) above is aligned with the Uniform Commercial Code that states that, "A security interest in investment property, deposit accounts, letter-of-credit rights, or electronic chattel paper may be perfected by control of the collateral -

<https://www.nolo.com/legal-encyclopedia/how-attach-perfect-security-interest-under-the-ucc.html>

**The perfection through “control” was not mentioned in Docket 1185. Prior to the bankruptcy filing, Celsius allowed its Stablecoin creditors to “control” the collateral in**

**the form of Stablecoin by letting Celsius Stablecoin holders** under Earn accounts to **transfer the stablecoins in or out from the platform app anytime they wish to without the consent of Celsius.** Stablecoin holders under Earn accounts have full control of the stablecoins.

### **Reasons Stablecoin Creditors should be treated as Secured Creditors**

Apart from the perfection point above under UCC in making Stablecoin holders as secured creditor, there is also an urgent need for the Court to address a concerning issue – that is the treatment of Stablecoins currently it's being viewed by some parties as the same class as other crypto assets class like Bitcoin, Ethereum, and other crypto, when in reality it should not be treated similar in class with Bitcoin and other crypto assets.

1. To give some context, generally when the price of Bitcoin moves upward or downward, all the other crypto assets or alternate coins ( except Stablecoin ) will follow the Bitcoin price movement. This means when the price of Bitcoin moves upwards, the bitcoin and other crypto assets holders can reap tremendous profits and vice-versa. This is not the same for Stablecoin holders.

No matter which directional price movement in Bitcoin - either upwards or downwards movement, the Stablecoin holder do not enjoy any profits nor experience any loss in its value because Stablecoins values are pegged 1:1 in US Dollar. For example 1000 number of Stablecoins in USDC or USDT are equivalent in United States Dollar 1000 ( USD 1000 )

2. Unlike other Bitcoin/Crypto asset holders, most Stablecoin holders ( also known as US dollar holders ) have lower risk appetites - they do not speculate the Bitcoin price movement nor wish to experience volatilities in the dollar value the Stablecoins they held, therefore many of the Celsius creditors converted their wealth either in crypto assets ( BTC, ETH, etc ) or even move their life-saving/retirement funds into Celsius in the form of Stablecoins to Celsius, especially when Alex has been not only once, but countless times over the last 12 months mentioning in his weekly AMA that Celsius is safer than the bank.

<https://cases.stretto.com/public/x191/11749/PLEADINGS/1174910172280000000102.pdf>

<https://cases.stretto.com/public/x191/11749/PLEADINGS/1174908222280000000008.pdf>

3. Stablecoins should also not be treated as Crypto Commodity/Consumerable/Store of Value Assets like Bitcoin, Ethereum but instead be viewed as a Currencies. Bitcoin and other Crypto are virtual assets back by the faith of the community, and that it should not be viewed as sovereign currencies because of its attributes - **volatilities and inabilities to maintain a stable value relatively to US dollar.** Stablecoins on the other hand, have attributes opposite of Bitcoin, Ethereum and others crypto **as it can maintain its stable value over long period of time as it's pegged 1 to 1 in value to the United States Dollar.** As the Stablecoin are denominated in United States Dollar, the Bankruptcy Code should offer greater protections on the depositors of sovereign currencies - <https://scholarlycommons.law.emory.edu/cgi/viewcontent.cgi?article=1099&context=ebdj>
4. Celsius has requested the court for authorization to sell its Stablecoin holdings, which is actually the Cash Collateral debtor was borrowing from the Stablecoin Creditors through the Earn accounts they deposited, this extra stablecoin liquidities in US dollar form have allowed Celsius ( debtor ) to generate revenue for the company and fund its business operation.

The liquidities in the form of Stablecoin provided to the Celsius ( debtors ) via the Earn accounts were secured by nature, making the Stablecoins creditors as the secured party, because of the following reasons:-

- the stablecoin was backed by trusted Cash Collateral, specifically the United States Dollar, in which debtors can easily turn all its assets into US dollar form -

<https://cases.stretto.com/public/x191/11749/PLEADINGS/1174910172280000000139.pdf>

- the Secured Creditors **have “control” over their Stablecoins in Earn accounts prior to the bankruptcy filing, in which the Stablecoin holders in the Earn accounts can withdraw their Stablecoins anytime when they wish to. The ability of perfection of security interest in the form of “control” is aligned with the Uniform Commercial Code ( UCC )’ perfection rules** that in the event the debtor becomes insolvent, and under the perfection of its security interest in the form of “control”, a Secured Creditor of Stablecoin can gain priority over other parties in collecting the cash collateral - <https://www.nolo.com/legal-encyclopedia/how-attach-perfect-security-interest-under-the-ucc.html>
- if Celsius ( debtor ) seek authorization from the court in selling the Cash collateral in the form of stablecoin, that implies the stablecoin holders are secured creditors, as given any situations, should debtor turns assets into cash or cash equivalents or even intend to sell the cash collateral, the debtor must either get the creditors consent for the use of cash collateral by way of an agreed order or seek authorization from the court. This implies Stablecoin creditors have rights in the cash collateral they placed in Earn Account as Secured Creditor. Here is the real world example given.

*For example, if the debtor owns an office building that is creditor’s collateral, then the rents received can only be used by the debtor after entry of a court order authorizing the use of cash collateral pursuant to an approved budget”*

5. According to 11 U.S. Code Section 363(a), the full definition of Cash Collateral is "cash, negotiable instruments, documents of title, securities, deposit accounts or other cash equivalents. In the bankruptcy chapter 11 context, Cash Collateral is cash and equivalents collected and held for the benefit of creditors during Chapter 11 bankruptcy proceedings and typically cash collateral is separated from other assets for the purposes of paying creditors. **In the context of bankruptcy, any cash collected or generated from the sale of assets is considered cash collateral.**
6. **Under 502(b) of the Bankruptcy Code, customer claims are to be denominated in U.S. dollar amounts as opposed to denominated in other unit of asset or**

**currencies.** Having the Stablecoins denominated in USD as well, more consideration and weight shall be given to Stablecoins over other collateral class when comes to creditor claims.

### **Conclusion**

WHEREFORE, for the reasons set forth herein, the Stablecoin holders respectfully requests that the Court consider Stablecoin holders as Secured Creditors, and grant such other and further relief as may be just and proper.